

**TOWN OF NEW LONDON,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen
Town of New London
New London, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Town of New London as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 14 to the financial statements, management has not recorded the long-term costs of retirement health care costs and obligations for other postemployment benefits in the governmental activities. Accounting principles generally accepted in the United States of America require that those costs be recorded, which would increase the liabilities, decrease the net position and increase the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses on the governmental activities is not readily determinable.

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the government-wide financial statements of the Town of New London, as of June 30, 2017, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Town of New London
Independent Auditor's Report*

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and aggregate remaining fund information of the Town of New London as of June 30, 2017, and the respective changes in financial position and respective budgetary comparison for the general fund and major sewer department fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information – Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Town's Proportionate Share of Net Pension Liability, and Schedule of Town Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers them to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information – Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of New London's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

February 9, 2018

*Plodzik & Sanderson
Professional Association*



TOWN OF NEW LONDON, NEW HAMPSHIRE

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Management's Discussion & Analysis June 30, 2017

The Board of Selectmen and Town Administrator, as management of the Town of New London, offer readers of the Town's annual financial statements this narrative discussion and analysis of the financial activities of the Town of New London for the period ending June 30, 2017. The financial statements presented here include the 12-month period July 1, 2016 through June 30, 2017.

This discussion and analysis is prepared in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 34 (GASB 34). We encourage readers to consider the information presented here in conjunction with additional information found within the body of the annual financial statements.

FINANCIAL HIGHLIGHTS

The Town's total net position for the year ending June 30, 2017, was \$10,396,047 as compared to \$9,948,324 as restated, at the end of June 30, 2016. Net position increased by \$447,723, or 4.5% from June 30, 2016 to June 30, 2017.

As of June 30, 2017, the Town's total net position consisted of \$10,416,895 in net investment in capital assets, restricted net position of \$1,962,117, and unrestricted net position of -\$1,982,965. The Town's long-term obligations of \$10,028,712 consisted of \$5,424,203 in general obligation bonds/notes payable, \$31,357 in capital leases, \$176,966 in compensated absences payable, \$41,280 in accrued landfill post-closure care costs and \$4,354,906 in net pension liability.

During the period, the Town's expenses of \$7,334,082 were \$447,723 less than revenues. Revenues consisted of charges for services (\$1,174,051), operating grants and contributions (\$138,778), capital grants and contributions (\$5,863) and general revenues (\$6,463,113 - primarily taxes, motor vehicle permit fees, state and federal grants and contributions, and miscellaneous revenues).

OVERVIEW OF FINANCIAL STATEMENTS

The following is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise five components: government-wide financial statements; fund financial statements; notes to financial statements; required supplementary information; and this discussion and analysis. This report also contains other supplementary information in addition to the basic financial statements themselves.

The basic financial statements include two kinds of statements that present different views of the Town based upon measurement focus and basis of accounting. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Town, reporting the Town's operations in more detail than the government-wide statements. The governmental fund statements tell how the Town's services were financed in the short term as well as what remains for future spending. Fiduciary fund statements provide information about the financial relationships in which the Town acts solely as an agent for the benefit of others, to whom the resources belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business. The Statement of Net Position presents information on all assets, deferred outflows of resources, liabilities (with the exception of the Town's other postemployment benefit liability which has been omitted), and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses (with the exception of other postemployment benefits which has been omitted) are reported in this statement for some items that only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation time).

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: Governmental Funds and Fiduciary Funds.

The General Fund and Sewer Department are the major governmental funds, while four special revenue funds, four capital project funds and the Permanent Fund are consolidated as Nonmajor Governmental funds. The Nonmajor funds are the Conservation Commission, Capital Cost Recovery, Recreation, Recycling, Town Hall Building, Miscellaneous Projects, Elkins Sidewalk, Highway Building Repair and Permanent funds respectively. General Fund revenues and expenditures are compared to budget in the Statement of Revenues, Expenditures and Changes in Fund Balances. Fiduciary funds are private purpose trust and agency funds which are used to benefit outside parties and cannot be used to support any of the Town's own programs.

Notes to Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information required by the Government Accounting Standards Board. Additional combining statements and individual fund schedules are presented immediately following the Notes to Financial Statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Change in Net Position

The government-wide financial statements -- the Statement of Net Position (Exhibit A) and Statement of Activities (Exhibit B) -- provide a comprehensive summary of governmental activities. The Statement of Net Position may serve, over time, as a useful indicator of a government's financial position. Net investment in capital assets is \$10,416,895. Restricted net position of \$1,962,117 are restricted by constraints imposed from outside the Town, such as cemetery, library trust funds and capital projects. As of June 30, 2017, unrestricted net position of the Town is (\$1,982,965).

The Town's financial position is the product of several financial transactions including the net results of activities and payment of debt. A summary of long-term debt obligations can be found in the Notes to Financial Statements. Comparative Net Position for the periods ending June 30, 2017 and June 30, 2016 are shown below.

Comparative Net Position

	FY2016	FY2017	Amount Change	% Change
Total assets	28,377,216	28,913,853	536,637	1.9%
Deferred outflows of resources	293,253	1,173,619	880,366	300.2%
Long-term liabilities outstanding	9,312,978	10,028,712	715,734	7.7%
Other liabilities	6,908,420	7,088,575	180,155	2.6%
Total liabilities	<u>16,221,398</u>	<u>17,117,287</u>	<u>895,889</u>	5.5%
Deferred inflows of resources:				
Unavailable revenue - property taxes	2,253,610	2,451,128	197,518	8.8%
Amounts related to pensions	247,137	123,010	(124,127)	-50.2%
Total deferred inflows of resources	<u>2,500,747</u>	<u>2,574,138</u>	<u>73,391</u>	2.9%
Net position:				
Net investment in capital assets	9,953,807	10,416,895	463,088	4.7%
Restricted	2,176,075	1,962,117	(213,958)	-9.8%
Unrestricted	<u>(2,181,558)</u>	<u>(1,982,965)</u>	<u>198,593</u>	-9.1%
Total net position	<u><u>9,948,324</u></u>	<u><u>10,396,047</u></u>	<u><u>447,723</u></u>	4.5%

Statement of Activities

The Statement of Activities (Exhibit B) provides an important summary of overall expenditures and revenues for the fiscal year; it includes transactions from all funds. The Town's total expenses were \$7,334,082; total revenues were \$7,781,805 resulting in an increase of net position of \$447,723. The largest share of revenue, \$4,735,512 (about 60.9% of total revenues), was from property taxes. The Town's expenditures were largely for public safety (26.6%), highways & streets (22.2%), sanitation (11.7%) and general government (20.3%).

Program expenses increased by \$644,848, or 9.6%, in FY2017 (the amounts are displayed in the table below).

The Town's largest source of program revenues, other than wastewater user fees or grants from the state or federal government, is the charge for dispatch services to our neighboring communities. In fiscal year 2017, New London collected \$141,132 in dispatch fees.

During the period, the Town's expenses were \$447,723 less than revenues generated for charges for services, operating grants or contributions, Capital grants and contributions and general revenues (including property taxes and local, state and federal grants and contributions not restricted to specific purposes).

Comparative Statement of Changes in Activities

Governmental activities:	Fiscal Year	Fiscal Year	Amount of	%
	Ending	Ending		
	6/30/2016	6/30/2017	Change	Change
General government	1,294,910	1,489,317	194,407	15.0%
Public safety	1,712,836	1,952,931	240,095	14.0%
Highways and streets	1,491,764	1,627,517	135,753	9.1%
Sanitation	887,337	856,357	(30,980)	-3.5%
Health	180,738	262,901	82,163	45.5%
Welfare	17,234	21,731	4,497	26.1%
Culture and recreation	755,669	949,663	193,994	25.7%
Conservation	35,931	42,870	6,939	19.3%
Interest on long-term debt	312,815	130,795	(182,020)	-58.2%
Total governmental activities	6,689,234	7,334,082	644,848	9.6%
Program revenues:	Fiscal Year	Fiscal Year	Amount of	%
	Ending	Ending		
	6/30/2016	6/30/2017	Change	Change
Charges for services	1,077,444	1,174,051	96,607	9.0%
Operating grants and contributions	301,218	138,778	(162,440)	-53.9%
Capital grants and contributions	2,034,045	5,863	(2,028,182)	-99.7%
General revenues:				
Property taxes and other taxes	4,501,402	4,735,512	234,110	5.2%
Motor vehicle permit fees	889,010	962,983	73,973	8.3%
Licenses and other fees	118,047	137,816	19,769	16.7%
Grants and contributions not related to specific programs	218,949	232,331	13,382	6.1%
Miscellaneous	1,076,418	394,471	(681,947)	-63.4%
Total revenues	10,216,533	7,781,805	(2,434,728)	-23.8%
Change in net position	Fiscal Year	Fiscal Year		
	Ending	Ending		
	6/30/2016	6/30/2017		
Net position, beginning, as restated	6,421,025	9,948,324		
Net position, ending	9,948,324	10,396,047		
Change in net position	3,527,299	447,723		

FUND FINANCIAL STATEMENTS

General Fund

The Town of New London uses separate fund accounting for each of its funds to ensure compliance with finance-related legal requirements. Information from the fund accounting system is essential in managing budgets as the financial year progresses and is useful in assessing financial resource needs for future operation of the Town. The General Fund is what most people think of as “the budget” since it is the focal point of the Annual Town Meeting and largely supported by property taxes.

Schedules 1, 2, and 3 detail General Fund activity for FY2017. Budgeted revenues totaled \$7,134,187 and actual revenues equaled \$7,136,492, for a revenue surplus of \$2,305. Other than property taxes, the largest general revenue received by the Town of New London is from motor vehicles registrations. In fiscal year 2017, the Town recognized \$4,655,593 in property taxes and \$962,983 in motor vehicle fees. The Town also receives revenue shared by the State of New Hampshire in the form of meals & rooms tax (\$232,331 in 2017) and highway block grant (\$136,660 in 2017).

Budgeted appropriations and encumbrances from prior year totaled \$7,532,147 while actual expenditures plus encumbered to subsequent year were \$7,107,367 leaving an unexpended balance of appropriations of \$424,780. This amount along with the revenue surplus make up the 2017 Budget surplus of \$427,085.

The following significant budgetary items are noted:

General Government: The General Government budget represents 17.8% of the total Town budget. The Executive budget for FY2017 included an \$80,000 placeholder for anticipated Town wide salary increases based on an independent salary survey. The wage increases were ultimately allocated to each department resulting in a budgetary savings for the Executive budget. Legal expenses were much greater than anticipated due to several tax abatement cases which have subsequently been resolved.

Public Safety: The Public Safety budget makes up 23.6% of the total budget. The Dispatch Department showed budget savings due to changes in personnel.

Highways & Streets: The Public Works Department comprises 18.9% of the total budget. There were savings in the Highway Department due to lower petroleum product costs which affect paving and gasoline/diesel purchases. New 25 Watt LED streetlights replaced the old 50 Watt High Pressure Sodium fixtures town wide which has cut the streetlight electricity consumption in half.

Recreation: The Recreation Department budget consists primarily of the Recreation Director's salary and related expenses, the cost of operating the two public beaches and special events. The majority of recreation programs are paid by user fees and do not affect the tax rate.

The Budgetary unassigned fund balance of the General Fund at the end of fiscal year 2017 was \$1,668,586, which is an increase of \$166,153 over fiscal year 2016. Key factors in the unassigned fund balance are:

Unassigned Fund Balance, as of June 30, 2016:	\$ 1,502,433
FY2017 Revenue surplus	\$2,305
FY2017 unexpended balance of appropriations	\$424,780
Use of fund balance to offset the 2016-2017 tax rate (Schedule 1):	(\$275,000)
Decrease in abatement contingency	<u>\$14,068</u>
 Unassigned Fund Balance as of June 30, 2017:	 \$1,668,586
Difference FY2016 to FY2017:	<u>\$166,153</u>

Sewer Department

The Sewer Department is operated as a Town department but is funded solely through sewer user fees. New London pumps their effluent to the Sunapee Wastewater Treatment Facility. New London's portion of the Sunapee Plant's operating expenses are based on flow and during FY2017 the New London Sewer Department paid 59.42% of the Sunapee Wastewater Treatment Facility expenses. The apportionment rate is reviewed every year.

Nonmajor Governmental Funds

Special Revenue Funds: The Town has four special revenue funds: a fund for donations made to the Conservation Commission; a fund for Capital Cost Recovery (primarily sewer betterment and related sewer-debt paid for by the users); and two revolving funds, one for Recreation Department programs and activities and one for Recycling. The Recycling Revolving Fund returns all but \$5,000 of revenue to the General Fund at the end of every fiscal year.

Capital Project Funds: The Town has four Capital Project funds: Town Hall Building, Misc Projects, Elkins Sidewalk and Highway Building Repairs fund.

Activity for the Nonmajor Governmental Funds are shown on Schedules 4 and 5. The Special Revenue Funds ended the year with the following fund balances:

	<u>FY2016</u>	<u>FY2017</u>	<u>Change</u>	<u>% Change</u>
Conservation Commission	\$12,597	\$13,104	\$507	4.0%
Capital Cost Recovery	\$16,387	\$12,012	(\$4,375)	-26.7%
Recreation	\$53,250	\$54,681	\$1,431	2.7%
Recycling	\$5,000	\$5,010	\$10	0.2%

The Capital Project Funds ended the year with the following balances:

	<u>FY2016</u>	<u>FY2017</u>	<u>Change</u>	<u>% Change</u>
Town Hall Building	\$22,026	0	(\$22,026)	-100.0%
Miscellaneous Projects	\$349,886	\$235,487	(\$114,399)	-32.7%
Elkins Sidewalk	0	0	0	0%
Highway Building Repairs	0	0	0	0%

CAPITAL ASSETS

Total Capital Assets increased 1.8% during FY2017. Notable activity was the purchase of land on Davis Hill Road and the closure of three sewer lagoons at the old New London Sewer Treatment facility. The Elkins Sidewalk project was completed is now included in the Infrastructure total.

Capital Assets

	FY2016	FY2017	Change	% Change
Land	3,726,844	4,177,432	450,588	12.1%
Construction in progress	1,289,130	-	(1,289,130)	-100.0%
Building and building improvements	3,818,969	3,731,836	(87,133)	-2.3%
Machinery, equipment, and vehicles	1,934,189	1,964,352	30,163	1.6%
Infrastructure	1,052,332	2,157,473	1,105,141	105.0%
Total	11,821,464	12,031,093	209,629	1.8%

DEBT ADMINISTRATION**Long-Term Debt**

The Town has seven general obligation bond/notes payable issues outstanding. A schedule of these issuances can be found in the notes to the financial statements.

As of the close of fiscal year 2017, the Town has a \$5,424,203 liability for long-term bonds that reduces overall net position. No notes were added during FY2017, principal reductions resulted in a total debt decrease of \$418,289. This does not mean that the Town has this entire payment requirement for next year; rather, \$405,308 of these obligations are due to be paid during the fiscal year ending June 30, 2018 (as shown on Exhibit A).

Long Term Liabilities

	FY2016	FY2017	Change	% Change
General obligation bonds/notes payable	5,842,492	5,424,203	(418,289)	-7.2%
Capital lease	38,444	31,357	(7,087)	-18.4%
Compensated absences	182,529	176,966	(5,563)	-3.0%
Accrued landfill post-closure care costs	53,200	41,280	(11,920)	-22.4%
Net pension liability	3,196,313	4,354,906	1,158,593	36.2%
Total	9,312,978	10,028,712	715,734	7.7%

FUTURE BUDGETARY IMPLICATIONS

2017 Town Meeting approved the fiscal year operating budget from July 1, 2017-June 30, 2018. This budget is a 2.54% increase in appropriations over FY2017, not including Sewer, capital deposits or capital expenditures. Town Meeting also authorized the issuance of a \$875,000 loan for several Town projects including Pleasant Lake Dam upgrades, sewer lagoon closures, repairs to the Academy Building interior, paving several gravel roads and a study of the viability of the Buker Municipal Building for Police and Recreation purposes.

MANAGEMENT CONTACT

This financial report is designed to provide a general overview of the Town's finances for those with an interest in that subject. Questions concerning any of the information provided in this report, or requests for additional financial information, should be directed to: Town Administrator, Town of New London, 375 Main Street, New London, NH 03257 (phone: 603-526-1240/fax: 603-526-9494/e-mail: townadmin@nl-nh.com).

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF NEW LONDON, NEW HAMPSHIRE
Statement of Net Position
June 30, 2017

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 6,474,081
Investments	4,995,967
Taxes receivables	4,989,315
Account receivables	371,282
Intergovernmental receivable	23,803
Special assessments receivable	28,312
Capital assets:	
Land and construction in progress	4,177,432
Other capital assets, net of depreciation	7,853,661
Total assets	28,913,853
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	1,173,619
LIABILITIES	
Accounts payable	231,906
Accrued interest payable	74,868
Intergovernmental payable	6,781,801
Long-term liabilities:	
Due within one year	439,258
Due in more than one year	9,589,454
Total liabilities	17,117,287
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - Property taxes	2,451,128
Amounts related to pensions	123,010
Total deferred inflows of resources	2,574,138
NET POSITION	
Net investment in capital assets	10,416,895
Restricted	1,962,117
Unrestricted	(1,982,965)
Total net position	\$ 10,396,047

EXHIBIT B
TOWN OF NEW LONDON, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	Expenses	Program Revenues			Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 1,489,317	\$ 10,786	\$ -	\$ -	\$ (1,478,531)
Public safety	1,952,931	169,892	-	-	(1,783,039)
Highways and streets	1,627,517	-	137,907	5,863	(1,483,747)
Sanitation	856,357	835,753	871	-	(19,733)
Health	262,901	545	-	-	(262,356)
Welfare	21,731	-	-	-	(21,731)
Culture and recreation	949,663	157,075	-	-	(792,588)
Conservation	42,870	-	-	-	(42,870)
Interest on long-term debt	130,795	-	-	-	(130,795)
Total governmental activities	<u>\$ 7,334,082</u>	<u>\$ 1,174,051</u>	<u>\$ 138,778</u>	<u>\$ 5,863</u>	<u>(6,015,390)</u>
General revenues:					
Taxes:					
Property					4,655,593
Other					79,919
Motor vehicle permit fees					962,983
Licenses and other fees					137,816
Grants and contributions not restricted to specific programs					232,331
Miscellaneous					394,471
Total general revenues					<u>6,463,113</u>
Change in net position					447,723
Net position, beginning, as restated (see Note 19)					9,948,324
Net position, ending					<u>\$ 10,396,047</u>

EXHIBIT C-1
TOWN OF NEW LONDON, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
June 30, 2017

	General	Sewer Department	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,552,150	\$ 379,454	\$ 542,477	\$ 6,474,081
Investments	3,151,450	424,369	1,420,148	4,995,967
Taxes receivable	5,017,827	-	-	5,017,827
Accounts receivable	18,403	352,879	-	371,282
Intergovernmental receivable	9,989	-	7,898	17,887
Special assessments receivable	-	-	28,312	28,312
Interfund receivable	39,269	25,855	700	65,824
Total assets	<u>\$ 13,789,088</u>	<u>\$ 1,182,557</u>	<u>\$ 1,999,535</u>	<u>\$ 16,971,180</u>
LIABILITIES				
Accounts payable	\$ 220,642	\$ 11,264	\$ -	\$ 231,906
Intergovernmental payable	6,675,397	106,404	-	6,781,801
Interfund payable	26,555	-	39,269	65,824
Total liabilities	<u>6,922,594</u>	<u>117,668</u>	<u>39,269</u>	<u>7,079,531</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - Property taxes	2,565,400	-	-	2,565,400
Unavailable revenue - Special assessments	-	-	27,262	27,262
Total deferred inflows of resources	<u>2,565,400</u>	<u>-</u>	<u>27,262</u>	<u>2,592,662</u>
FUND BALANCES				
Nonspendable	-	-	1,530,220	1,530,220
Restricted	113,920	1,064,889	343,093	1,521,902
Committed	2,603,629	-	59,691	2,663,320
Assigned	16,412	-	-	16,412
Unassigned	1,567,133	-	-	1,567,133
Total fund balances	<u>4,301,094</u>	<u>1,064,889</u>	<u>1,933,004</u>	<u>7,298,987</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,789,088</u>	<u>\$ 1,182,557</u>	<u>\$ 1,999,535</u>	<u>\$ 16,971,180</u>

EXHIBIT C-2
TOWN OF NEW LONDON, NEW HAMPSHIRE
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2017

Total fund balances of governmental funds (Exhibit C-1)		\$ 7,298,987
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$ 17,930,113	
Less accumulated depreciation	<u>(5,899,020)</u>	12,031,093
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (65,824)	
Payables	<u>65,824</u>	-
Long-term assets not available to pay for current period expenditures are not reported in the governmental funds.		
Long-term intergovernmental receivable		5,916
Property taxes are recognized on an accrual basis in the Statement of Net Position and on a modified accrual basis in the governmental funds.		
Deferred inflows of resources - property taxes	\$ 114,272	
Allowance for uncollectible property taxes	<u>(28,512)</u>	85,760
Special assessments to pay long-term debt are unavailable in the governmental funds.		
		27,262
Certain resources are not considered current financial resources in the governmental funds, but instead are reported in the Statement of Net Position.		
Deferred outflow of resources related to pensions	\$ 1,173,619	
Deferred inflows of resources related to pensions	<u>(123,010)</u>	1,050,609
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(74,868)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bonds/notes	\$ 5,424,203	
Capital lease	31,357	
Compensated absences	176,966	
Accrued landfill postclosure care costs	41,280	
Net pension liability	<u>4,354,906</u>	<u>(10,028,712)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 10,396,047</u></u>

EXHIBIT C-3
TOWN OF NEW LONDON, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2017

	General	Sewer Department	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 4,718,821	\$ -	\$ -	\$ 4,718,821
Licenses and permits	1,100,799	-	-	1,100,799
Intergovernmental	370,238	8,655	9,287	388,180
Charges for services	246,076	797,412	130,563	1,174,051
Miscellaneous	309,426	13,955	71,090	394,471
Total revenues	<u>6,745,360</u>	<u>820,022</u>	<u>210,940</u>	<u>7,776,322</u>
EXPENDITURES				
Current:				
General government	1,240,577	50,592	-	1,291,169
Public safety	1,754,639	-	15,660	1,770,299
Highways and streets	1,307,315	-	-	1,307,315
Sanitation	396,255	408,864	24,069	829,188
Health	262,901	-	-	262,901
Welfare	21,731	-	-	21,731
Culture and recreation	754,976	-	97,816	852,792
Conservation	42,870	-	-	42,870
Debt service:				
Principal	293,684	124,605	-	418,289
Interest	73,364	61,031	-	134,395
Capital outlay	752,737	-	152,384	905,121
Total expenditures	<u>6,901,049</u>	<u>645,092</u>	<u>289,929</u>	<u>7,836,070</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(155,689)</u>	<u>174,930</u>	<u>(78,989)</u>	<u>(59,748)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	126,581	11,313	10,096	147,990
Transfers out	(10,096)	(85,801)	(52,093)	(147,990)
Total other financing sources (uses)	<u>116,485</u>	<u>(74,488)</u>	<u>(41,997)</u>	<u>-</u>
Net change in fund balances	(39,204)	100,442	(120,986)	(59,748)
Fund balances, beginning, as restated (see Note 19)	4,340,298	964,447	2,053,990	7,358,735
Fund balances, ending	<u>\$ 4,301,094</u>	<u>\$ 1,064,889</u>	<u>\$ 1,933,004</u>	<u>\$ 7,298,987</u>

EXHIBIT C-4
TOWN OF NEW LONDON, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2017

Net change in fund balances of governmental funds (Exhibit C-3)		\$ (59,748)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.		
Capitalized capital outlay	\$ 825,937	
Depreciation expense	<u>(616,308)</u>	209,629
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (147,990)	
Transfers out	<u>147,990</u>	-
The receipt of long-term state aid provides current financial resources to governmental funds, but has no effect on net position.		
Decrease in intergovernmental receivable		(11,208)
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred inflows - property taxes	\$ 19,429	
Change in deferred inflows - betterment assessments	<u>(2,738)</u>	16,691
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Repayment of bond principal	\$ 418,289	
Repayment of capital lease	<u>7,087</u>	425,376
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 3,600	
Decrease in compensated absences payable	5,563	
Decrease in accrued landfill postclosure care costs	11,920	
Net change in pension balances relating to GASB Statement No. 68	<u>(154,100)</u>	(133,017)
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ 447,723</u></u>

EXHIBIT D-1
TOWN OF NEW LONDON, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 4,771,059	\$ 4,771,059	\$ 4,738,250	\$ (32,809)
Licenses and permits	1,008,230	1,008,230	1,100,799	92,569
Intergovernmental	368,993	368,993	370,238	1,245
Charges for services	177,610	177,610	189,733	12,123
Miscellaneous	90,721	90,721	121,548	30,827
Total revenues	<u>6,416,613</u>	<u>6,416,613</u>	<u>6,520,568</u>	<u>103,955</u>
EXPENDITURES				
Current:				
General government	1,316,170	1,316,170	1,239,777	76,393
Public safety	1,748,354	1,748,354	1,729,651	18,703
Highways and streets	1,387,995	1,397,362	1,241,582	155,780
Sanitation	409,672	409,672	396,255	13,417
Health	263,579	263,579	262,901	678
Welfare	26,845	26,845	21,731	5,114
Culture and recreation	640,921	183,696	177,037	6,659
Conservation	43,686	42,686	42,870	(184)
Debt service:				
Principal	291,961	291,961	293,684	(1,723)
Interest	78,045	78,045	73,364	4,681
Capital outlay	553,194	623,082	475,506	147,576
Total expenditures	<u>6,760,422</u>	<u>6,381,452</u>	<u>5,954,358</u>	<u>427,094</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(343,809)</u>	<u>35,161</u>	<u>566,210</u>	<u>531,049</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	639,319	717,574	615,924	(101,650)
Transfers out	(570,510)	(1,027,735)	(1,030,049)	(2,314)
Total other financing sources (uses)	<u>68,809</u>	<u>(310,161)</u>	<u>(414,125)</u>	<u>(103,964)</u>
Net change in fund balances	<u>\$ (275,000)</u>	<u>\$ (275,000)</u>	152,085	<u>\$ 427,085</u>
Decrease in assigned fund balance (non-encumbrances)			14,068	
Unassigned fund balance, beginning			<u>1,502,433</u>	
Unassigned fund balance, ending			<u>\$ 1,668,586</u>	

EXHIBIT D-2
TOWN OF NEW LONDON, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Sewer Department Fund
For the Fiscal Year Ended June 30, 2017

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental	\$ 12,079	\$ 8,655	\$ (3,424)
Charges for services	884,005	797,412	(86,593)
Miscellaneous	400	13,950	13,550
Total revenues	<u>896,484</u>	<u>820,017</u>	<u>(76,467)</u>
EXPENDITURES			
Current:			
General government	53,200	50,592	2,608
Sanitation	640,399	408,864	231,535
Debt service:			
Principal	121,181	124,605	(3,424)
Interest	69,592	61,031	8,561
Total expenditures	<u>884,372</u>	<u>645,092</u>	<u>239,280</u>
Excess of revenues over expenditures	<u>12,112</u>	<u>174,925</u>	<u>162,813</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	7,888	11,313	3,425
Transfers out	(20,000)	(105,801)	(85,801)
Total other financing sources (uses)	<u>(12,112)</u>	<u>(94,488)</u>	<u>(82,376)</u>
Net change in fund balances	<u>\$ -</u>	80,437	<u>\$ 80,437</u>
Restricted fund balance, beginning		938,808	
Restricted fund balance, ending		<u>\$ 1,019,245</u>	

EXHIBIT E-1
TOWN OF NEW LONDON, NEW HAMPSHIRE
Fiduciary Funds
Statement of Net Position
June 30, 2017

	Private Purpose	
	Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 13,116	\$ 121,742
Investments	64,994	1,278,630
Total assets	<u>78,110</u>	<u>1,400,372</u>
LIABILITIES		
Accounts payable	-	1,324
Intergovernmental payable	-	1,399,048
Total liabilities	<u>-</u>	<u>1,400,372</u>
NET POSITION	<u>\$ 78,110</u>	<u>\$ -</u>

EXHIBIT E-2
TOWN OF NEW LONDON, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2017

	Private Purpose Trust
ADDITIONS	
New funds	\$ 15,000
Interest	429
Total additions	15,429
DEDUCTIONS	
Scholarships	11,014
Change in net position	4,415
Net position, beginning	73,695
Net position, ending	\$ 78,110

TOWN OF NEW LONDON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

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AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

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TOWN OF NEW LONDON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of New London, New Hampshire (the Town), have been prepared in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The more significant of the Town’s accounting policies are described below.

1-A Reporting Entity

The Town of New London is a municipal corporation governed by an elected 3-member Board of Selectmen. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The Town has no component units to include in its reporting entity.

1-B Government-wide and Fund Financial Statements

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government. Generally, the effect of interfund activity has been eliminated from these statements. Governmental activities normally are supported through taxes and intergovernmental revenues.

The *Statement of Net Position* presents the financial position of the Town at year-end. This statement includes all of the Town’s non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position, with the exception of the long-term costs of retirement, health care, and obligations for other postemployment benefits which have also been omitted because the liability and expense have not been determined.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenue rather than program revenue. As in the Statement of Net Position mentioned above, the Town has not recorded other postemployment benefit expense in this statement.

Fund Financial Statements - Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

In the governmental fund financial statements, expenditures are reported by character: current, debt service or capital outlay. Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services. Debt service includes both interest and principal outlays related to bonds and notes. Capital outlay includes expenditures for equipment, real property, or infrastructure.

Other Financing Sources (Uses) – these additions to and reductions from resources in governmental fund financial statements normally result from transfers from/to other funds and financing provided by bond proceeds. Transfers are reported when incurred as “transfers in” by the receiving fund and as “transfers out” by the disbursing fund.

1-C Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement Focus and Basis of Accounting - The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TOWN OF NEW LONDON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Financial Statement Presentation - A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to report financial position and the results of operations, to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain government functions or activities.

The Town reports the following major governmental funds:

General Fund – is the Town’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include property taxes, State grants and motor vehicle permit fees. The primary expenditures are for general government, public safety, highways and streets, sanitation, culture and recreation, debt service and capital outlay. Under GASB Statement No. 54 guidance the library and expendable trust funds are consolidated in the general fund.

Sewer Fund – accounts for the activities related to the operation of the sewer treatment plant, pumping station, and sewer lines. Under GASB Statement No. 54 guidance the sewer department related expendable trust funds are consolidated in the sewer fund.

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements. There are nine non-major funds reported under the other governmental column.

Additionally, the Town reports the following fund types:

Special Revenue Funds - are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Funds - are used to account for the financial resources and activities relating to specific construction projects.

Permanent Fund - is used to record activity of legal trusts for which the interest on the corpus provides funds for the Town’s cemetery operations.

Fiduciary Funds – The Town also reports the following fiduciary funds:

Private Purpose Trust Fund – are used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments.

Agency Fund – are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets held on behalf of outside parties, including other governments.

1-D Cash and Cash Equivalents

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits and savings accounts. A cash pool is maintained that is available for use by all funds. Each fund’s portion of this pool is reflected on the combined financial statements under the caption “cash and cash equivalents.”

TOWN OF NEW LONDON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-E Investments

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the Town to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the State treasurer.

Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

Investments are reported at fair value. The Town discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy is as follow:

Level 1 – Inputs that reflect quoted prices (unadjusted) in active markets for identical assets and liabilities that the Town has the ability to access at the measurement date. Most of the Town’s directly held marketable equity securities would be examples of Level 1 investments.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2. All of the Town’s holdings in U.S. government obligations and corporate bonds would be examples of Level 2 investments.

Level 3 – Unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative financial instruments.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, is the level in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. Investments are reported at fair value. If an investment is held directly by the Town and an active market with quoted prices exists, such as for domestic equity securities, the market price of an identical security is used to report fair value and is classified in Level 1. Corporate fixed income securities and certain governmental securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Fair values for shares in registered mutual funds and exchange-traded funds are based on published share prices and classified in Level 1.

Investments in Certain External Investment Pools – In accordance with GASB Statement No. 79, Town held investments with the New Hampshire Public Deposit Investment Pool (NHPDIP) are categorized as Level 2. The NHPDIP measures all of its investments at amortized cost. There are no redemption restrictions and shares may be redeemed by the Town in accordance with the NHPDIP’s Information Statement.

1-F Receivables

Receivables recorded in the financial statements represent amounts due to the Town at June 30. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes, billing for charges, and other user fees.

TOWN OF NEW LONDON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

1-G Capital Assets

Capital assets are defined by the Town as assets with an initial individual cost of \$10,000 or more and an estimated life in excess of one year. Capital assets include property, plant, and equipment, infrastructure assets (e.g. roads, bridges, sidewalks, drainage, and similar items) and are reported in the governmental activities. The amount reported for infrastructure includes only assets added since 1979.

The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund’s measurement focus. General capital assets are assets of the Town as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the governmental activities column of the government-wide Statement of Net Position. When cost of general capital assets cannot be determined from available records, estimated historical cost is used.

Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend lives are not capitalized.

In the government-wide financial statements, the cost of property sold or retired, together with the related accumulated depreciation, is removed and any resulting gain or loss is included in income.

Capital assets of the Town are depreciated or amortized using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Capital Asset Classes:	
Buildings and building improvements	25-40
Machinery, equipment, and vehicles	3-20
Infrastructure	20-50

1-H Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

Interfund Transfers – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-I Property Taxes

Property tax billings occur quarterly and are based on the assessed inventory values as of April 1 of each year. Warrants for the year were issued on May 16, 2016 and October 27, 2016, and due on July 1, 2016, October 1, 2016, January 2, 2017, and March 31, 2017. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

In connection with the setting of the tax rate, Town officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable at year end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Kearsarge Regional School District, New London-Springfield Water Precinct, and Merrimack County, which are remitted to these entities as required by law.

The Town net assessed valuation as of April 1, 2016 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 1,114,738,674
For all other taxes	\$ 1,124,902,770

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The tax rates and amounts assessed for the year ended June 30, 2017 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$4.35	\$ 4,891,054
School portion:		
State of New Hampshire	\$2.33	2,602,690
Local	\$6.04	6,792,691
County portion	\$2.95	3,317,109
Precinct portions:		
New London-Springfield	\$1.04	397,140
Total		\$ 18,000,684

1-J Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of June 30, 2017.

1-K Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expenses) until then.

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

1-L Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities.

1-M Compensated Absences

The Town’s policy allows certain employees to earn varying amounts of vacation based on the employee’s length of employment. Upon separation from service, employees are paid in full for any accrued leave earned as set forth by personnel policy. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

1-N Defined Benefit Pension Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* and GASB Statement No. 82 *Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No.73* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules are prepared by New Hampshire Retirement System, and are audited by the plan’s independent auditors.

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1-O Net Position/Fund Balances

Government-wide Statements – Equity is classified as net position and displayed in three components:

- a) *Net investment in capital assets* – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.
- b) *Restricted net position* – Consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) *Unrestricted net position* – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance Classifications – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extent of the constraints placed on a government’s fund balances are more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items, inventory or tax deeded property subject to resale); or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the Town’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen through the budgetary process.

Unassigned – This classification includes the amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When multiple net position/fund balance classifications are available for use, it is the government’s policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

1-P Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of

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the financial statements, and revenues and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, and the useful lives of capital assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town’s operations. At its annual meeting, the Town adopts a budget for the current year for the major general and sewer funds. Except as reconciled below, the budget was adopted on a basis consistent with US generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2017, \$275,000 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

The Town employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis presents the actual results to provide a comparison with the budget. The major difference between the budgetary basis and GAAP basis is as follows:

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and commitments (encumbrances) for goods or services not received at year-end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no liability exists.

The following reconciles the *general fund* budgetary basis to the GAAP basis:

Revenues and other financing sources:	
Per Exhibit D-1 (budgetary basis)	\$ 7,136,492
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record revenue of the blended funds	244,221
Net effect of transfers between blended funds	(437,958)
Change in deferred tax revenue relating to 60-day revenue recognition	(19,429)
Transfers from trust funds not recognized on modified accrual basis	(262,000)
Transfers from trust funds not recognized on budgetary basis	210,615
Per Exhibit C-3 (GAAP basis)	<u>\$ 6,871,941</u>
	<i>(Continued)</i>

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Budgetary reconciliation to GAAP basis continued:

Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$ 6,984,407
Adjustment:	
Basis differences:	
Encumbrances, beginning	122,960
Encumbrances, ending	(9,412)
GASB Statement No. 54:	
To record expenditures of the blended funds	868,835
Net effect of transfers between blended funds	(1,019,953)
Expenditures not recognized on a modified accrual basis	(262,000)
Expenditures not recognized on a budgetary basis	226,308
Per Exhibit C-3 (GAAP basis)	<u><u>\$ 6,911,145</u></u>

The following reconciles the *sewer department fund* budgetary basis to the GAAP basis:

Revenues and other financing sources:	
Per Exhibit D-2 (budgetary basis)	\$ 831,330
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record revenue of the blended funds	5
Per Exhibit C-3 (GAAP basis)	<u><u>\$ 831,335</u></u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The Town's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the Town's agent in the Town's name. The FDIC currently insures the first \$250,000 of the Town's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the Town's deposits was \$6,608,938 and the bank balances totaled \$6,004,951, of which \$1,305,623 represents money-market fund investments classified as cash equivalents. Petty cash totaled \$300.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 6,474,081
Cash per Statement of Net Position-Fiduciary Funds (Exhibit E-1)	134,858
Total cash and cash equivalents	<u><u>\$ 6,608,939</u></u>

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NOTE 4 – INVESTMENTS

Note 1-E describes statutory requirements covering the investment of the Town funds. The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town’s mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as of June 30, 2017:

	Valuation	Fair Value	Less Than 1		Total
	Measurement Method		Year	1-5 Years	
Investments type:					
Certificates of deposit	Level 1	\$ -	\$ 2,751,815	\$ 113,597	\$ 2,865,412
Common stock	Level 1	390,899			390,899
Corporate bonds	Level 2	-	60,604	-	60,604
Equity exchange traded funds	Level 1	907,550	-	-	907,550
Fixed income exchange traded funds	Level 2	225,864	-	-	225,864
Fixed income mutual funds	Level 2	319,853	-	-	319,853
New Hampshire Public Deposit Investment Pool	Level 2	1,536,534	-	-	1,536,534
Preferred stock	Level 1	32,875	-	-	32,875
Total fair value		<u>\$ 3,413,575</u>	<u>\$ 2,812,419</u>	<u>\$ 113,597</u>	<u>\$ 6,339,591</u>

Fair Value Measurements of Investments – In accordance with GASB Statement No. 72 *Fair Value Measurement and Application*, except for investments measured using net asset value (NAV) as a practical expedient to estimate fair value, the Town categorizes the fair value measurements of its investments within the fair value hierarchy established by US GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

Level 1 inputs reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date. Most of the Town’s directly held marketable equity securities would be examples of Level 1 investments.

Level 2 inputs are other than quoted prices that are observable for the assets or liabilities, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2.

Level 3 inputs are significant unobservable inputs.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

Credit Risk – The Town’s investment pool had the following credit risk structure at June 30, 2017:

Investment Type	Credit Rating*	Fair Value	Percent of Grand Total
Corporate bonds:			
JP Morgan Chase	A3	\$ 24,995	41.24%
Wells Fargo	A2	35,609	58.76%
		<u>\$ 60,604</u>	<u>100.00%</u>

*Per Moody's

Custodial Credit Risk – This is the risk that in the event of the failure of the counterparty (e.g. broker/dealer) to honor a transaction, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

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Concentration of Credit Risk – The Town places no limit on the amount it may invest in any one issuer. More than 5% of the Town’s investments are in certificates of deposit held by Lake Sunapee Bank. These investments are 5.69% of the Town’s total investments.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 4,995,967
Investments per Statement of Net Position-Fiduciary Funds (Exhibit E-1)	<u>1,343,624</u>
Total investments	<u><u>\$ 6,339,591</u></u>

NOTE 5 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of June 30, 2017. The amount has been reduced by an allowance for an estimated uncollectible amount of \$28,512. Taxes receivable by year are as follows:

	As reported on:	
	<u>Exhibit A</u>	<u>Exhibit C-1</u>
Property:		
Levy of 2017	\$ 4,990,837	\$ 4,990,837
Unredeemed (under tax lien):		
Levy of 2016	16,306	16,306
Levy of 2015	9,362	9,362
Yield	1,322	1,322
Less: allowance for estimated uncollectible taxes	<u>(28,512)</u>	<u>-</u>
Net taxes receivable	<u><u>\$ 4,989,315</u></u>	<u><u>\$ 5,017,827</u></u>

*The allowance for uncollectible property taxes is not recognized under the modified accrual basis of accounting (Exhibit C-1 and C-3) due to the 60-day rule as explained in Note 1-C. However, the allowance is recognized under the full accrual basis of accounting (Exhibits A and B).

NOTE 6 – OTHER RECEIVABLES

Receivables at June 30, 2017, consisted of accounts (billings for police details, sewer, and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town’s financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

In the other governmental funds, capital cost recovery fund, \$27,262 of the amount reported is not expected to be collected within the next year and is therefore, reported as unavailable.

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 is as follows:

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance, ending</u>
At cost:				
Not being depreciated:				
Land	\$ 3,726,844	\$ 450,588	\$ -	\$ 4,177,432
Construction in progress	1,289,130	-	(1,289,130)	-
Total capital assets not being depreciated	<u>5,015,974</u>	<u>450,588</u>	<u>(1,289,130)</u>	<u>4,177,432</u>
Being depreciated:				
Buildings and building improvements	6,116,249	73,933	-	6,190,182
Machinery, equipment, and vehicles	4,912,458	432,388	(220,601)	5,124,245
Infrastructure	1,280,096	1,158,158	-	2,438,254
Total capital assets being depreciated	<u>12,308,803</u>	<u>1,664,479</u>	<u>(220,601)</u>	<u>13,752,681</u>
Total all capital assets	<u><u>17,324,777</u></u>	<u><u>2,115,067</u></u>	<u><u>(1,509,731)</u></u>	<u><u>17,930,113</u></u>

(Continued)

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Capital assets continued:

	Balance, beginning	Additions	Disposals	Balance, ending
Less accumulated depreciation:				
Buildings and building improvements	(2,297,280)	(161,066)	-	(2,458,346)
Machinery, equipment, and vehicles	(2,978,269)	(402,225)	220,601	(3,159,893)
Infrastructure	(227,764)	(53,017)	-	(280,781)
Total accumulated depreciation	<u>(5,503,313)</u>	<u>(616,308)</u>	<u>220,601</u>	<u>(5,899,020)</u>
Net book value, capital assets being depreciated	<u>6,805,490</u>	<u>1,048,171</u>	<u>-</u>	<u>7,853,661</u>
Net book value, all capital assets	<u>\$ 11,821,464</u>	<u>\$ 1,498,759</u>	<u>\$ (1,289,130)</u>	<u>\$ 12,031,093</u>

Depreciation expense was charged to functions of the Town based on their usage of the related assets. The amounts allocated to each function are as follows:

General government	\$ 108,557
Public safety	202,456
Highways and streets	209,800
Sanitation	38,509
Culture and recreation	56,986
Total depreciation expense	<u>\$ 616,308</u>

NOTE 8 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of June 30, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	\$ 39,269
Sewer department	General	25,855
Nonmajor	General	700
		<u>\$ 65,824</u>

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers - The composition of interfund transfers for the year ended June 30, 2017 is as follows:

	Transfers In:			Total
	General Fund	Sewer Department Fund	Nonmajor Funds	
Transfers out:				
General fund	\$ -	\$ -	\$ 10,096	\$ 10,096
Sewer department	85,801	-	-	85,801
Nonmajor funds	40,780	11,313	-	52,093
Total	<u>\$ 126,581</u>	<u>\$ 11,313</u>	<u>\$ 10,096</u>	<u>\$ 147,990</u>

During the year, transfers are used to (1) move revenues from the fund with collection authority to the fund responsible for expenditure and (2) move general fund resources to provide an annual subsidy.

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NOTE 9 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$8,071,168 at June 30, 2017 consist of the following:

General fund:	
Balance of 2017-2018 district assessment due to Kearsarge Regional School District	\$ 4,708,450
Balance of 2017-2018 property tax commitment due to the New London-Springfield Water Precinct	297,329
Balance of 2017-2018 property tax commitment due to Merrimack County	1,662,353
Town clerk fees due to the State of New Hampshire	3,308
Other miscellaneous items	3,957
Total intergovernmental payables in the general fund	<u>\$ 6,675,397</u>
Sewer fund:	
Balance due to the Town of Sunapee Sewer Department	<u>\$ 106,404</u>
Agency fund:	
Balance of the Kearsarge Regional School District trust funds held by the Trustees of Trust Funds	<u>\$ 1,399,048</u>

NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources of \$1,173,619 in the governmental activities at June 30, 2017 consists of amount related to pensions, see Note 13.

Deferred inflows of resources reported as unavailable revenue are as follows:

	Governmental Activities	General Fund	Nonmajor Governmental Funds
Property tax revenue committed but not due until subsequent period	\$ 2,451,128	\$ 2,451,128	\$ -
Amounts related to pensions, see Note 13	123,010	-	-
Uncollected property tax balance 60 days subsequent to the fiscal year-end	-	114,272 *	-
Betterment assessment collected in advance of eligible debt expenditures	-	-	27,262 *
Total deferred inflows of resources	<u>\$ 2,574,138</u>	<u>\$ 2,565,400</u>	<u>\$ 27,262</u>

*These balances are only recognized on a modified accrual basis of accounting.

NOTE 11 – CAPITAL LEASE

The Town has entered into a capital lease agreement under which the related equipment will become the property of the Town when all the terms of the lease agreement are met.

	Standard Interest Rate	Present Value of Remaining Payments as of June 30, 2017
Capital lease obligations:		
Transit bus	4.00%	<u>\$ 31,357</u>

Leased equipment under capital lease, included in capital assets, is as follows:

	Governmental Activities
Vehicle:	
Transit bus	\$ 53,444
Less: accumulated depreciation	17,815
Total capital lease equipment	<u>\$ 35,629</u>

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The annual requirements to amortize the capital lease payable as of June 30, 2017, including interest payments, are as follows:

Fiscal Year Ending June 30,	Governmental Activities
2018	\$ 8,496
2019	8,496
2020	8,496
2021	8,496
Total requirements	33,984
Less: interest	2,627
Present value of remaining payments	<u>\$ 31,357</u>

Amortization of lease equipment under capital assets is included with depreciation expense.

NOTE 12 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
General obligation bonds/notes payable	\$ 5,842,492	\$ -	\$ (418,289)	\$ 5,424,203	\$ 405,308
Capital leases	38,444	-	(7,087)	31,357	7,376
Compensated absences	182,529	13,035	(18,598)	176,966	19,694
Accrued landfill postclosure care costs	53,200	-	(11,920)	41,280	6,880
Net pension liability	3,196,313	1,158,593	-	4,354,906	-
Total long-term liabilities	<u>\$ 9,312,978</u>	<u>\$ 1,171,628</u>	<u>\$ (455,894)</u>	<u>\$ 10,028,712</u>	<u>\$ 439,258</u>

Long-term bonds/notes are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2017
General obligation bonds/notes payable:					
Town office renovations	\$ 1,000,000	1999	2020	4.5-5.25%	\$ 225,000
Sewer line extension	\$ 250,000	1999	2019	4.5-5.25%	20,000
Town building improvements	\$ 877,940	2005	2025	3.72%	351,176
Library repairs	\$ 370,000	2011	2027	2.60%	246,665
Water Pollution Control State Revolving Loan	\$ 5,501,598	2016	2035	2.55%	3,841,362
Academy building	\$ 350,000	2016	2025	1.95%	280,000
Multi-purpose	\$ 460,000	2016	2027	1.90%	460,000
Total					<u>\$ 5,424,203</u>

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The annual requirements to amortize all general obligation bonds/notes outstanding as of June 30, 2017, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 405,308	\$ 128,591	\$ 533,899
2019	414,231	116,508	530,739
2020	413,241	104,335	517,576
2021	337,331	94,366	431,697
2022	341,532	86,283	427,815
2023-2027	1,616,076	311,715	1,927,791
2028-2032	1,145,790	161,628	1,307,418
2033-2035	750,694	33,758	784,452
Totals	<u>\$ 5,424,203</u>	<u>\$ 1,037,184</u>	<u>\$ 6,461,387</u>

All debt is general obligation debt of the Town, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

Accrued Landfill Postclosure Care Costs – The Town ceased operating its landfill in prior years. Federal and State laws and regulations require that the Town place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site after closure. A liability is being recognized based on the future postclosure care costs that will be incurred. The recognition of these landfill postclosure care costs is based on the amount of the landfill used through the end of the year. The estimated liability for landfill postclosure care costs has a balance of \$41,280 as of June 30, 2017. The estimated total current cost of the landfill postclosure care (\$6,880) is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of June 30, 2017. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

Bonds/Notes Authorized and Unissued – Bonds and notes authorized and unissued as of June 30, 2017 were as follows:

Per Town Meeting Vote of	Purpose	Unissued Amount
March 14, 2017	Miscellaneous projects	\$ 875,000
March 14, 2017	Asset management program	30,000
		<u>\$ 905,000</u>

NOTE 13 – DEFINED BENEFIT PENSION PLAN

Plan Description: The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers with in the State are eligible and required to participate in the Pension Plan. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

TOWN OF NEW LONDON, NEW HAMPSHIRE
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Benefits Provided: The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and available to pay retirement benefits to all members.

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC) multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by ¼ of 1% or age 60.

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances, subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

Contributions: The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. The contribution rates were 11.55% for police officers and 11.80% for firefighters. All employees are required to contribute 7% of earnable compensation. For fiscal year 2017, the Town contributed 26.38% for police, 29.16% for fire fighters, and 11.17% for all other employees. The contribution requirements for the fiscal years 2015, 2016, and 2017 were \$297,893, \$319,932, and \$338,462, respectively, which were paid in full in each year.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

- At June 30, 2017 the Town reported a liability of \$4,354,906 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2016, the Town's proportion was .08189616% which was an increase of .00121231% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$466,762. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 40,439	\$ 68,018
Changes in assumptions	535,951	-
Difference between expected and actual experience	12,102	54,992
Net difference between projected and actual investment earnings on pension plan investments	272,465	-
Contributions subsequent to the measurement date	312,662	-
Total	<u>\$ 1,173,619</u>	<u>\$ 123,010</u>

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The \$312,662 reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Valuation Fiscal Year Ending June 30,	
2017	\$ 136,628
2018	136,628
2019	240,909
2020	212,953
2021	10,829
Totals	<u>\$ 737,947</u>

Actuarial Assumptions: The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2015, using the following actuarial assumptions which, accordingly apply to 2016 measurements:

Inflation:	2.5%
Salary increases:	5.6% average, including inflation
Investment rate of return:	7.25% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on last experience study.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

Long-term Rates of Return: The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2017:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted average long-term expected real rate of return 2016</u>
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	<u>30.00%</u>	
Int'l Equities (unhedged)	13.00%	4.75%
Emerging Int'l Equities	7.00%	6.25%
Total international equity	<u>20.00%</u>	
Core Bonds	5.00%	(0.64%)
Short Duration	2.00%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	(1.71%)
Absolute Return Fixed Income	7.00%	1.08%
Total fixed income	<u>25.00%</u>	
Private equity	5.00%	6.25%
Private debt	5.00%	4.75%
Opportunistic	5.00%	3.68%
Total alternative investments	<u>15.00%</u>	
Real estate	10.00%	3.25%
Total	<u>100.00%</u>	

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Discount Rate: The discount rate used to measure the collective total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25% as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2016	\$ 5,595,758	\$ 4,354,906	\$ 3,325,817

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Town provides postemployment benefit options for health care to eligible retirees, terminated employees, and their dependents in accordance with the provisions of various employment contracts. The benefit levels, employee contributions, and employer contributions are governed by the Town's contractual agreements. Expenses for the cost or providing health insurance for currently enrolled retirees are recognized in general fund of the funds financial statements as payments are made.

The Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*, which was effective for the Town on January 1, 2009, requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported on the financial statements. The Town has not implemented GASB Statement No. 45 at June 30, 2017 or contracted with an actuarial firm to assist in evaluating the impact of this standard on the Town. The amounts that should be recorded as the annual required contribution/OPEB cost and the net OPEB obligation are unknown.

NOTE 15 – COMMITMENTS/ENCUMBRANCES

The Town had the following outstanding construction contracts at June 30, 2017:

Description:	<u>Remaining Total Contract</u>
Pine Hill Construction	\$ 166,200
CAI Technologies	82,500
Total	<u>\$ 248,700</u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at June 30, 2017 and are as follows:

General fund:	
Public safety	\$ 6,412
Health	3,000
Total encumbrances	<u>\$ 9,412</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 16 – STATE AID TO WATER POLLUTION PROJECTS

Under New Hampshire RSA Chapter 486, the Town receives from the State of New Hampshire a percentage of the annual amortization charges on the original costs resulting from the acquisition and construction of sewage disposal facilities. At June 30, 2017, the Town is due to receive the following annual amounts to offset debt payments:

<u>Bonds Issued</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Edmunds Road Area Sewer	<u>\$ 5,916</u>	<u>\$ 466</u>	<u>\$ 6,382</u>

NOTE 17 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at June 30, 2017 include the following:

Net investment in capital assets:	
Net property, buildings, and equipment	\$ 12,031,093
Less:	
General obligation bonds/notes payable	(1,582,841) *
Capital lease payable	<u>(31,357)</u>
Total net investment in capital assets	<u>10,416,895</u>
Restricted:	
Nonexpendable permanent funds (principal)	1,530,220
Expendable permanent funds (income)	82,490
Library	113,920
Capital projects fund	<u>235,487</u>
Total restricted	<u>1,962,117</u>
Unrestricted	<u>(1,982,965)</u>
Total net position	<u>\$ 10,396,047</u>

*Balance of State revolving loan not included in above balance as the Town does not have ownership of the related asset (Wastewater Treatment Plant).

NOTE 18 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at June 30, 2017 include the following:

Nonspendable:	
Nonmajor fund:	
Permanent:	
Principal balance (nonexpendable)	\$ 1,530,220
Restricted:	
Major funds:	
General:	
Library	\$ 113,920
Sewer department	<u>1,064,889</u>
	<u>1,178,809</u>
Nonmajor funds:	
Conservation commission	13,104
Capital cost recovery	12,012
Miscellaneous projects	235,487
Permanent - income balance (expendable)	<u>82,490</u>
	<u>343,093</u>
Total restricted fund balance	1,521,902

(Continued)

TOWN OF NEW LONDON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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Governmental fund balances continued:

Committed:			
Major fund:			
General:			
Expendable trusts	\$ 2,600,629		
Non-lapsing appropriations	<u>3,000</u>		
	<u>2,603,629</u>		
Nonmajor funds:			
Recreation	54,681		
Recycling	<u>5,010</u>		
	<u>59,691</u>		
Total committed fund balance			2,663,320
Assigned:			
Major fund:			
General:			
Encumbrances	\$ 6,412		
Contingency	<u>10,000</u>		
Total assigned fund balance			16,412
Unassigned:			
General			<u>1,567,133</u>
Total governmental fund balances			<u><u>\$ 7,298,987</u></u>

NOTE 19 – PRIOR PERIOD ADJUSTMENTS

Net position/fund balance at July 1, 2016 was restated to give retroactive effect to the following prior period adjustments:

	Government-wide Statements	General Fund	Permanent	Miscellaneous Projects
To reclassify capital project activity, previously reported in the general fund	\$ -	\$ (349,886)	\$ -	\$ 349,886
To reclassify interfund balance, previously reported in the permanent fund	-	70,000	(70,000)	-
To recognize trust fund balance, not previously reported in the prior year	734,903	734,903	-	-
Net position/fund balance, as previously reported	<u>9,213,421</u>	<u>3,885,281</u>	<u>1,664,844</u>	<u>-</u>
Net position/fund balance, as restated	<u><u>\$ 9,948,324</u></u>	<u><u>\$ 4,340,298</u></u>	<u><u>\$ 1,594,844</u></u>	<u><u>\$ 349,886</u></u>

NOTE 20 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2017, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs. This entity is considered a public entity risk pools, currently operating as common risk management and insurance programs for member Towns and cities.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2017 to June 30, 2017 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Town of New London billed and paid for the year ended June 30, 2017 was \$49,036 for workers' compensation and \$86,909 for property/liability.

TOWN OF NEW LONDON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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NOTE 21 – RELATED PARTY TRANSACTIONS

Financial reporting standards require disclosure of significant related-party transactions, including the nature of the relationship, a description of the transactions, dollar amounts of the transaction, and amounts due to or due from the related party at the financial statement date.

At the March 8, 2016 Annual Town Meeting, the voters approved Warrant Article No. 18, authorizing the Town to purchase two parcels of land for \$250,000 with funds withdrawn from the conservation land capital reserve fund. This land was previously owned by the family of a select board member.

NOTE 22 – INTERGOVERNMENTAL AGREEMENT

Pursuant to order of the New Hampshire Water Supply and Pollution Control Commission dated May 12, 1976 under the authority of RSA 149, 149-B or RSA 149-1. RSA 53-A and any other revisions since that date, the Town has entered into an agreement with the Town of Sunapee. The Town of Sunapee owns, operates, and maintains a wastewater facility in Sunapee, as well as the collection and transmission facilities that convey wastewater to the treatment facility. The Towns have agreed that the Town of New London will deliver its wastewaters to the existing Sunapee facilities for conveyance and treatment at the Town of Sunapee's wastewater treatment plant. Both parties have agreed upon provisions for sharing the costs of maintenance, operation, upgrade, and repair of the plant contained in the most recent agreement signed by the Town of New London Board of Selectmen on October 9, 2012.

NOTE 23 – CONTINGENT LIABILITIES

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

NOTE 24 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through February 9, 2018, the date the June 30, 2017 financial statements were available to be issued, and the following was noted:

- Of the total authorized/unissued debt of \$905,000 at June 30, 2017, the Town has issued \$540,081 of that total as of the date of the auditor's report.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
TOWN OF NEW LONDON, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2017

<u>Fiscal Year</u>	<u>Valuation Date</u>	<u>Town's Proportion of Net Pension Liability</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Town Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2017	June 30, 2016	0.08189616%	\$ 4,354,906	\$ 2,052,846	212.14%	58.30%
June 30, 2016	June 30, 2015	0.08068385%	\$ 3,196,313	\$ 1,958,428	163.21%	65.47%
June 30, 2015	June 30, 2014	0.08175265%	\$ 3,068,656	\$ 1,964,526	156.20%	59.81%
June 30, 2014	June 30, 2013	0.08372859%	\$ 3,603,498	\$ 1,942,187	185.54%	66.32%

The note to the required supplementary information is an integral part of this schedule.

EXHIBIT G
TOWN OF NEW LONDON, NEW HAMPSHIRE
Schedule of Town Contributions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2017

Fiscal Year	Valuation Date	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2017	June 30, 2016	\$ 293,253	\$ 293,253	\$ -	\$ 2,052,846	14.29%
June 30, 2016	June 30, 2015	\$ 270,685	\$ 270,685	\$ -	\$ 1,958,428	13.82%
June 30, 2015	June 30, 2014	\$ 265,225	\$ 265,225	\$ -	\$ 1,964,526	13.50%
June 30, 2014	June 30, 2013	\$ 208,194	\$ 208,194	\$ -	\$ 1,942,187	10.72%

The note to the required supplementary information is an integral part of this schedule.

TOWN OF NEW LONDON, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

Schedule of the Town's Proportionate Share of Net Pension Liability & Schedule of Town Contributions

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits F and G represent the actuarial determined costs associated with the Town's pension plan at June 30, 2017 and preceding three years.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2016:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	23 Years beginning July 1, 2016 (30 years beginning July 1, 2009)
Asset Valuation Method	5-Year smooth market for funding purposes
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	2.85% per year
Investment Rate of Return	7.25% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on the last experience study.

Other Information:

Notes Contribution rates for Fiscal Year 2014 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF NEW LONDON, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2017

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 4,708,059	\$ 4,655,593	\$ (52,466)
Land use change	20,000	16,060	(3,940)
Yield	3,000	3,881	881
Interest and penalties on taxes	40,000	62,716	22,716
Total from taxes	<u>4,771,059</u>	<u>4,738,250</u>	<u>(32,809)</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	42,230	59,904	17,674
Motor vehicle permit fees	889,000	962,983	73,983
Other	77,000	77,912	912
Total from licenses, permits, and fees	<u>1,008,230</u>	<u>1,100,799</u>	<u>92,569</u>
Intergovernmental:			
State:			
Meals and rooms distribution	232,331	232,331	-
Highway block grant	136,662	136,660	(2)
Federal:			
Other	-	1,247	1,247
Total from intergovernmental	<u>368,993</u>	<u>370,238</u>	<u>1,245</u>
Charges for services:			
Income from departments	<u>177,610</u>	<u>189,733</u>	<u>12,123</u>
Miscellaneous:			
Sale of municipal property	18,900	17,463	(1,437)
Interest on investments	9,600	7,106	(2,494)
Rent of property	16,210	13,410	(2,800)
Fines and forfeits	7,900	9,477	1,577
Insurance dividends and reimbursements	28,111	57,001	28,890
Contributions and donations	10,000	17,091	7,091
Total from miscellaneous	<u>90,721</u>	<u>121,548</u>	<u>30,827</u>
Other financing sources:			
Transfers in	<u>717,574</u>	<u>615,924</u>	<u>(101,650)</u>
Total revenues and other financing sources	7,134,187	<u>\$ 7,136,492</u>	<u>\$ 2,305</u>
Unassigned fund balance used to reduce tax rate	275,000		
Total revenues, other financing sources, and use of fund balance	<u>\$ 7,409,187</u>		

SCHEDULE 2
TOWN OF NEW LONDON, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2017

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 357,163	\$ 279,054	\$ -	\$ 78,109
Election and registration	-	69,485	62,325	-	7,160
Financial administration	-	258,243	253,056	-	5,187
Revaluation of property	-	95,815	94,817	-	998
Legal	-	20,500	61,657	-	(41,157)
Personnel administration	-	103,157	90,526	-	12,631
Planning and zoning	-	93,427	88,805	-	4,622
General government buildings	800	174,870	175,205	-	465
Cemeteries	-	28,555	25,695	-	2,860
Insurance, not otherwise allocated	-	96,603	91,085	-	5,518
Advertising and regional associations	-	18,352	18,352	-	-
Total general government	<u>800</u>	<u>1,316,170</u>	<u>1,240,577</u>	<u>-</u>	<u>76,393</u>
Public safety:					
Police	8,309	1,007,601	1,022,153	2,277	(8,520)
Fire	-	363,240	363,551	-	(311)
Emergency management	-	6,300	3,189	-	3,111
Dispatching	23,091	371,213	365,746	4,135	24,423
Total public safety	<u>31,400</u>	<u>1,748,354</u>	<u>1,754,639</u>	<u>6,412</u>	<u>18,703</u>
Highways and streets:					
Public works garage	-	887,362	853,801	-	33,561
Highways and streets	45,058	493,000	428,584	-	109,474
Street lighting	20,675	17,000	24,930	-	12,745
Total highways and streets	<u>65,733</u>	<u>1,397,362</u>	<u>1,307,315</u>	<u>-</u>	<u>155,780</u>
Sanitation:					
Solid waste disposal	-	388,672	377,056	-	11,616
Solid waste clean-up	-	21,000	19,199	-	1,801
Total sanitation	<u>-</u>	<u>409,672</u>	<u>396,255</u>	<u>-</u>	<u>13,417</u>
Health:					
Administration	-	5,349	4,671	-	678
Health agencies	3,000	258,230	258,230	3,000	-
Total health	<u>3,000</u>	<u>263,579</u>	<u>262,901</u>	<u>3,000</u>	<u>678</u>
Welfare:					
Administration	-	3,345	3,321	-	24
Intergovernmental welfare payments	-	6,000	6,000	-	-
Vendor payments	-	17,500	12,410	-	5,090
Total welfare	<u>-</u>	<u>26,845</u>	<u>21,731</u>	<u>-</u>	<u>5,114</u>
Culture and recreation:					
Parks and recreation	-	166,796	160,174	-	6,622
Library	-	15,600	15,600	-	-
Patriotic purposes	-	300	300	-	-
Other	-	1,000	963	-	37
Total culture and recreation	<u>-</u>	<u>183,696</u>	<u>177,037</u>	<u>-</u>	<u>6,659</u>
Conservation	-	42,686	42,870	-	(184)

(Continued)

SCHEDULE 2 (Continued)
TOWN OF NEW LONDON, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2017

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	291,961	293,684	-	(1,723)
Interest on long-term debt	-	78,044	73,364	-	4,680
Interest on tax anticipation notes	-	1	-	-	1
Total debt service	-	370,006	367,048	-	2,958
Capital outlay	22,027	623,082	497,533	-	147,576
Other financing uses:					
Transfers out	-	1,027,735	1,030,049	-	(2,314)
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 122,960	\$ 7,409,187	\$ 7,097,955	\$ 9,412	\$ 424,780

SCHEDULE 3
TOWN OF NEW LONDON, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended June 30, 2017

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 1,502,433
Changes:		
Unassigned fund balance used to reduce 2016 tax rate		(275,000)
2016-2017 Budget summary:		
Revenue surplus (Schedule 1)	\$ 2,305	
Unexpended balance of appropriations (Schedule 2)	<u>424,780</u>	
2016-2017 Budget surplus		427,085
Decrease in assigned fund balance (non-encumbrances)		<u>14,068</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis) (Exhibit D-1)		1,668,586
<i>Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:</i>		
To comply with generally accepted accounting principles by deferring inflows of resources relating to property taxes not collected within 60 days of fiscal year-end		(114,272)
To remove allowance for uncollectible property taxes, not recognized on the modified accrual basis of accounting		28,512
To recognize revenue and expenditures for items reported as prepaid items and deferred inflows of resources on the budgetary basis of accounting		<u>(15,693)</u>
Unassigned fund balance, ending (GAAP basis Exhibit C-1)		<u><u>\$ 1,567,133</u></u>

SCHEDULE 4
TOWN OF NEW LONDON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	Special Revenue Funds				Capital Project Funds					Total
	Conservation Commission	Capital Cost Recovery	Recreation	Recycling	Town Hall Building	Miscellaneous Projects	Elkins Sidewalk	Highway Building Repairs	Permanent Fund	
ASSETS										
Cash and cash equivalents	\$ 13,104	\$ 10,214	\$ 54,681	\$ 5,860	\$ -	\$ 235,487	\$ -	\$ -	\$ 223,131	\$ 542,477
Investments	-	48	-	-	-	-	-	-	1,420,100	1,420,148
Intergovernmental receivable	-	-	-	-	-	-	7,898	-	-	7,898
Special assessments receivable	-	28,312	-	-	-	-	-	-	-	28,312
Interfund receivable	-	700	-	-	-	-	-	-	-	700
Total assets	\$ 13,104	\$ 39,274	\$ 54,681	\$ 5,860	\$ -	\$ 235,487	\$ 7,898	\$ -	\$ 1,643,231	\$ 1,999,535
LIABILITIES										
Interfund payable	\$ -	\$ -	\$ -	\$ 850	\$ -	\$ -	\$ 7,898	\$ -	\$ 30,521	\$ 39,269
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenue - Special assessments	-	27,262	-	-	-	-	-	-	-	27,262
FUND BALANCES										
Nonspendable	-	-	-	-	-	-	-	-	1,530,220	1,530,220
Restricted	13,104	12,012	-	-	-	235,487	-	-	82,490	343,093
Committed	-	-	54,681	5,010	-	-	-	-	-	59,691
Total fund balances	13,104	12,012	54,681	5,010	-	235,487	-	-	1,612,710	1,933,004
Total liabilities, deferred inflows of resources, and fund balances	\$ 13,104	\$ 39,274	\$ 54,681	\$ 5,860	\$ -	\$ 235,487	\$ 7,898	\$ -	\$ 1,643,231	\$ 1,999,535

SCHEDULE 5
TOWN OF NEW LONDON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2017

	Special Revenue Funds				Capital Project Funds					Total
	Conservation Commission	Capital Cost Recovery	Recreation	Recycling	Town Hall Building	Miscellaneous Projects	Elkins Sidewalk	Highway Building Repairs	Permanent Fund	
REVENUES										
Intergovernmental	\$ -	\$ 3,424	\$ -	\$ -	\$ -	\$ -	\$ 5,863	\$ -	\$ -	\$ 9,287
Charges for services	-	3,500	92,232	34,831	-	-	-	-	-	130,563
Miscellaneous	507	14	15	5	-	-	-	-	70,549	71,090
Total revenues	507	6,938	92,247	34,836	-	-	5,863	-	70,549	210,940
EXPENDITURES										
Current:										
Public safety	-	-	-	-	-	-	-	-	15,660	15,660
Sanitation	-	-	-	24,069	-	-	-	-	-	24,069
Culture and recreation	-	-	90,816	-	-	-	-	-	7,000	97,816
Capital outlay	-	-	-	-	22,026	114,399	8,177	7,782	-	152,384
Total expenditures	-	-	90,816	24,069	22,026	114,399	8,177	7,782	22,660	289,929
Excess (deficiency) of revenues over (under) expenditures	507	6,938	1,431	10,767	(22,026)	(114,399)	(2,314)	(7,782)	47,889	(78,989)
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	-	-	-	-	2,314	7,782	-	10,096
Transfers out	-	(11,313)	-	(10,757)	-	-	-	-	(30,023)	(52,093)
Total other financing sources (uses)	-	(11,313)	-	(10,757)	-	-	2,314	7,782	(30,023)	(41,997)
Net change in fund balances	507	(4,375)	1,431	10	(22,026)	(114,399)	-	-	17,866	(120,986)
Fund balances, beginning, as restated (see Note 19)	12,597	16,387	53,250	5,000	22,026	349,886	-	-	1,594,844	2,053,990
Fund balances, ending	\$ 13,104	\$ 12,012	\$ 54,681	\$ 5,010	\$ -	\$ 235,487	\$ -	\$ -	\$ 1,612,710	\$ 1,933,004